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GDP growth in FY17 may beat CSO estimate of 7.1%

New IIP, WPI data, higher farm output may have pumped up growth, say experts

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The updation of the base year of the index of industrial production (IIP) and the wholesale price index, along with improved farm sector prospects and higher public spending, may have given a boost to the economy in 2016-17, despite the downsides of demonetisation.

The Central Statistics Office (CSO), in its first and second advance estimates, had pegged GDP growth at 7.1 per cent for the last fiscal, and indications are that the economy grew at this rate, if not higher.

"Growth is likely to be close to the CSO estimate, if not higher," said a source. The CSO will on Wednesday release provisional estimates of the national account for the fourth quarter and for the entire 2016-17.

Most analysts also don't expect GDP growth prospects to be as dismal as was predicted after the note-ban in November, which squeezed out consumer demand as well as production for a while.

"The new IIP and WPI series will impact all GDP numbers from 2013-14. We expect GDP growth in 2016-17 to be revised to 7.6 per cent," said a research report by State Bank of India, while pegging GDP growth in the fourth quarter at 7.2 per cent.

DK Joshi, Chief Economist, Crisil, said the economy may have been a little sluggish in the fourth quarter due to demonetisation, but growth may have been higher than estimated in the full fiscal.

'Mild upturn'

"There is an expectation of a mild upturn in GDP growth in 2016-17 as the nominal GDP may be a little better due to the new WPI deflator. Further, the higher growth registered in the new IIP series will also boost unorganised manufacturing," he said.

Similarly, India Ratings also expects GDP growth at 7 per cent for 2016-17 as well as the fourth quarter of the fiscal.

"There may be a marginal upside in the gross value added and GDP numbers. The expectation was that the pain of demonetisation would be felt in all of the fourth quarter. But it started waning by the middle of February," said DK Pant, Chief Economist, India Ratings.

The government had earlier this month released a new series of IIP and WPI with a base year of 2011-12 and an updated methodology. The annual growth in IIP in 2016-17 under the new series is pegged at 5 per cent while WPI is now compiled without indirect taxes. This is expected to have a direct impact on the manufacturing sector.

Meanwhile, with good rains, farm sector growth may be higher than the CSO estimate of 4.4 per cent for 2016-17.